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## Cotton and Products

## Annual

## 2007

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**Report Highlights:**

In marketing year (MY) 2007/08 Chinese domestic cotton production is forecast to fall four percent, to 6.5 million metric tons (MMT), following the previous record crop. However, China's cotton use is forecast to continue to grow strongly in MY07/08, posting 12 percent growth for a second consecutive year. MY07/08 imports are forecast to surge to five MMT in response to solid demand, the slow import pace in Q4 2006 and Q1 2007, and lower domestic supplies. The United States is forecast to remain China's largest cotton supplier, though India has recently gained market share with increased exportable supplies at low prices.

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Includes PSD Changes: Yes  
Includes Trade Matrix: Yes  
Annual Report  
Beijing [CH1]  
[CH]

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## Executive Summary

China's cotton use is forecast to continue to grow strongly in MY07/08, posting 12 percent growth for a second consecutive year. China's textile industry is expected to consume 12.3 MMT of cotton in MY07/08 based on both solid domestic and export demand. While industry investment remains strong, consolidation and government pressure to focus less on exports have acted to curb the over 20 percent yearly growth experienced following WTO accession and elimination of textile quotas.

Chinese domestic cotton production is forecast to fall four percent, to 6.5 MMT, following the record crop in 2006. Solid farmer returns last year are forecast to result in a three percent increase in planted area in 2007. While early crop conditions have been favorable and wide distribution of better seed varieties have led to an above average yield forecast, total production is expected to fall following the exceptional yields of 2006.

MY07/08 imports are forecast to surge to 5 MMT in response to solid demand and the slow import pace in Q4 2006 and Q1 2007. This level of imports would be 50 percent higher than estimated MY06/07 imports, but only 20 percent above MY2005/06 levels. A resumption of large-scale imports is likely in the final few months of MY06/07 and will continue into MY07/08. Surprisingly flat import levels following the fall 2006 Chinese harvest of their bumper crop led to a downward revision of MY06/07 imports from the initial forecast of 4.1 MMT to 3.35 MMT. Fundamentally, continued double-digit cotton consumption growth in China is outstripping China's productive capacity over time and will lead to a higher market share for imported cotton.

Chinese stock numbers continue to be the wild card due to the lack of consistent government and industry reporting. However, industry observers speculate that the large 2006 domestic crop (almost 1.0 MMT greater than the previous year) and imports late in MY05/06 swelled stocks and these were slowly worked down throughout MY06/07. The "consignment trade" remains strong and provides about 400,000 MT of cotton from various origins stored in China's bonded warehouses. While this cotton is physically in China and it is generally thought of as local stocks, it has not crossed China's customs border and is technically not imported until it goes through customs and is delivered to Chinese mills.

**Note:** Please reference the Stocks section of the report for an important change in the calculation of the Stocks and Use categories.

## Production

China's cotton production for MY07/08 is forecast at 6.5 MMT, down 230,000 MT from MY06/07. Even though planted area is forecast to grow by three percent, yield is likely to return to normal or slightly above average following the record yield in the previous year. China's cotton planted area has fluctuated in recent years in response to price swings and comparative revenue versus other crops. However, a relatively stable cotton price combined with the record yield contributed to relatively higher profit to cotton farmers in MY06/07 and will result in the higher plantings in MY07/08. (See Table 15 and Table 16 for planted area and production by province.)

Although the forecasts made by different agencies and individual provinces vary, the general consensus of Chinese experts is that the total cotton area is likely to grow slightly. Below are some of the influential conclusions published by the most well-known organizations in Chinese cotton production, research, and analysis.

## Planted Area

In January 2007, China Cotton Research Institute (CRI) forecasted that planting intentions for MY07/08 will increase by one percent. CRI conducts annual cotton planting intention surveys on fixed households. The current survey covered 3,451 cotton producing households in 111 leading cotton-producing counties nationwide (see the following table). The survey indicates that the weighted average seed cotton price was RMB5.04 Yuan/Kg, down 9 percent as compared with that in MY05/06. The price rose by three percent in late 2006 in response to the “state reserve purchasing of cotton” and boosted planting intentions.

CRI 2007 Cotton Planting Intention Survey Results

	No. of counties	No. of households	Planting intention			Intention change %
			Unchanged	Increase	Decrease	
Nation	111	3451	2019 (58%)	667(19%)	765(22%)	1
Non-Northwest	100	3107	1807	597	703	0.3
--Yangtze River Region	45	1607	945	321	341	1.4
--Yellow River Region	51	1380	752	268	360	-0.3
--Other	4	120	110	8	2	1.7
Northwest Region	11	344	212	70	62	3

In late February 2007, China's National Development and Reform Commission (NDRC) released nationwide survey results that indicate 2007 cotton planting intentions would grow by 1.5 percent, while grain area would be stable compared with the previous year. The survey interviewed 16,870 households in 881 counties/cities of 30 provinces/municipalities. In addition to recent high cotton prices, cotton cultivation costs less due to technical advances and wide dissemination of Bt cotton varieties.

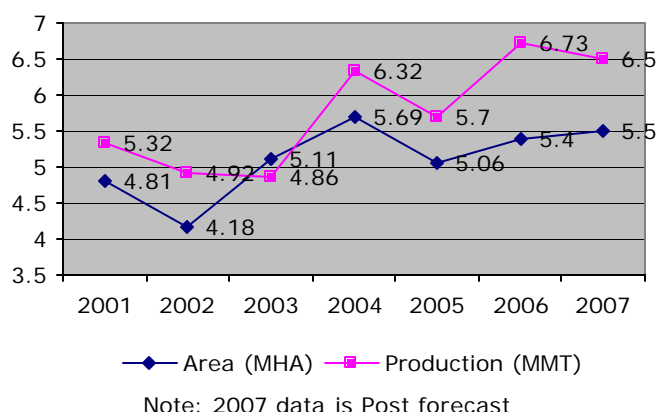
The Rural Economic Research Center (RERC) of the Chinese Ministry of Agriculture (MOA) echoed NDRC's forecast. According to RERC's survey results released in mid-March, 2007 cotton planting intentions are projected to grow by two percent, mainly because of the higher comparative profit versus grain crops and the newly implemented seed subsidy.

In mid-April 2007, China Cotton Association (CCA) forecasted that the planting area in 2007 stood at 81.5 million Mu (5.43 MHa), up less than one percent over the previous year. This is similar to cncotton.com's February survey results, which show a 0.6 percent growth in cotton planting intentions in 2007. However, a report released in mid-March by the cotton farmer's branch of CCA forecasts that the planting intention are up by 3.6 percent based on a survey of its members. Specifically, the growth rate in Shandong and Hebei exceeds 5.0 percent and 1.5 percent in Xinjiang.

The largest producer, Xinjiang province, will maintain a stable planted area. The “unchanged” planting intentions are partly due to the lack of alternative crops. According to the Xinjiang Agriculture Bureau, profit stands at 5,670 Yuan/Ha (4 percent lower than the previous year). However, Production and Construction Corporation (PCC) cotton officials said it is likely to increase area by 2 million Mu (or 133,000 Ha) in the next few years in Xinjiang.

It seems likely that farmers' planting intentions are likely to grow in response to the implementation of the new seed subsidy. Starting from March 2007, MOA appropriated 500 million Yuan to cotton planting seed companies to subsidize “high quality varieties” at 15 Yuan/Mu. (See the policy section for details) As of this writing, cotton planting has almost come to an end. Based on all information available, Post forecasts that the MY07/08 cotton planting area is likely to reach 5.5 MHa, up 2 percent from the previous year.

Chart 1. China's cotton planted area and production from 2001 to 2007



### Yield

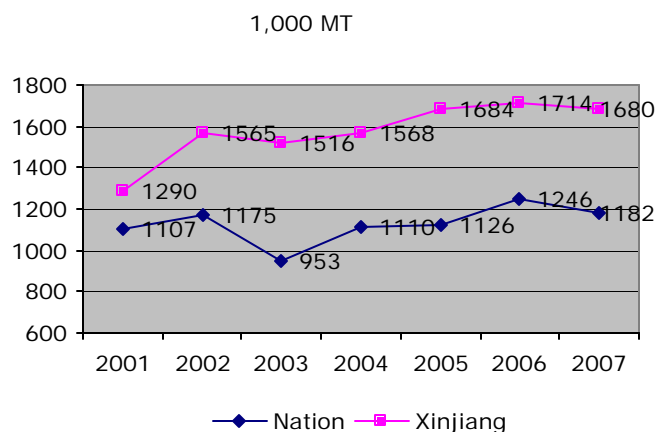
China's cotton yield remains high and hit a record of 1,246 Kg/Ha in MY06/07. The growth trend in yield is mainly attributable to technical advancements in Xinjiang production and in the dissemination of Bt cotton varieties in the Yangtze and the Yellow River regions. A sustained period of favorable weather conditions in most cotton producing regions has also supported recent high yields. Post forecasts that the yields in MY07/08 are likely to stay above the average of 1,180 Kg/Ha.

According to industry sources, the area planted to Bt cotton varieties was estimated to exceed 3.5 Mha (85 percent of total planted area in the Yangtze and Yellow River regions in MY06/07). However, some experts believe that Bt variety coverage reached 100 percent in Henan, Hebei, Shandong and Anhui provinces. Industry experts estimate that the planting of Bt varieties generally increases yield 10 percent compared with conventional seeds and reduces chemical sprays and labor input by 60 percent and seven percent, respectively. The newly implemented seed subsidy policy is likely to increase area coverage of "high quality varieties", mostly Bt varieties. According to CRI's survey results, the number of planted cotton varieties in 2006 increased but the area coverage for each variety was low. Only 53 varieties were planted in China covering 0.5 percent or more of total planted area and the most widely planted only reached 5.9 percent. In MY07/08, the coverage of Bt varieties is expected to increase further because the new seed subsidy policy is tilted in their favor. In mid-April, MOA reported that 100 percent of the surveyed cotton seed reached quality standard, as compared to 92 percent in the previous year.

In Xinjiang, Bt varieties are reportedly not planted due to few outbreaks of diseases/pests. The development of conventional varieties with specific traits such as dwarf plant size and early maturity are expected to continue boosting yield. In addition, new agronomy practices including high density sowing, plastic sheet covering and dripping irrigation contribute greatly to high yield. These advancements are particularly intensive on Xinjiang PCC farms. Industry sources reported that drip irrigated cotton area accounted for 80 percent of the PCC planted area. The averaged yield in Xinjiang exceeded 1,710 Kg/Ha in MY06/07. The MOA seed subsidy enjoys 63 percent of coverage in Xinjiang and will enhance farmer confidence in cotton.

China's National Meteorological Center forecasts that outbreaks of crop diseases/pests will be above average based on a warm winter in 2006/07. The rainfall in spring 2007 is reportedly above average in most cotton-producing regions and facilitating cotton sowing.

Chart 2. China's National and Xinjiang's averaged yields from 2001 to 2007\*



Note: 2007 yield is a Post forecast

## Consumption

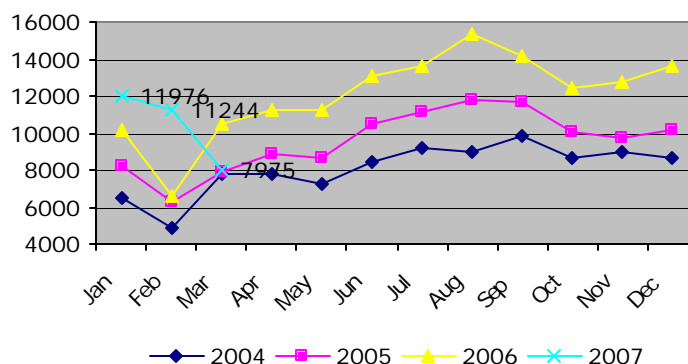
China's cotton consumption for MY07/08 is forecast at 12.3 MMT, 12 percent greater than the revised estimate of 11 MMT for MY06/07. This increase is driven by the growth of domestic textile consumption and the continued high export growth of textile products resulting from the removal of quotas in 2005.

China's textile industry has developed rapidly over the past decade and most industry insiders expect it to continue growing in the post-quota era. According to NDRC, the fixed asset investment in the textile industry in 2006 reached US\$26 billion, up 27 percent over 2005. Out of the total investment, US\$8 billion went to the cotton textile sector (up 20 percent over the previous year). However, both growth rates leveled off as compared with those in 2005. Additionally, the industry continued to move to the central provinces in 2006. As compared to a slight growth in Zhejiang, Jiangsu and Guangdong and negative growth in Shandong, the investment growth rate in central provinces (including Anhui, Jiangxi, Henan, Guangxi, Chongqing and Sichuan) exceeded 40 percent. Investment in the Northwest region, including Shaanxi and Xinjiang provinces, also experienced significant growth. Industry sources estimated that total spindles exceeded 80 million as of the end of 2006.

The textile industry will remain one of China's "pillar industries". According to China's 11<sup>th</sup> Five Year (2006-2010) Plan for Development of the Textile Industry, total fiber production is forecast to reach 36 MMT by 2010, with an annual growth rate of six percent. Moreover, per capita fiber consumption is expected to rise from 16.8 kg to 18 kg, an annual growth rate of 6.7 percent. The employees of the sector are forecast to reach 23 million, up from the current 20 million. However, based on recent growth rates, China's development target is likely to be achieved earlier.

Based on NDRC statistics, China's textile and apparel exports for 2006 were US\$147.1 billion, up 25 percent over 2005. The trade surplus for the textile sector in 2006 was estimated at US\$129 billion versus US\$100.4 billion for 2005. Despite the trade frictions with the EU and the United States, exports to these two regions increased by 20 percent, while exports to other regions increased by 27.7 percent over 2005. Exports for the first three months of 2007 continued growing, though the exports for March fell by 24 percent. (See chart 3) China Textile Industry Association (CTIA) forecasts that the industry will maintain high growth in 2007, though appreciation of the Chinese currency and reduced tax rebate for export of textile and apparel products are expected to erode the competitive edge of Chinese exports.

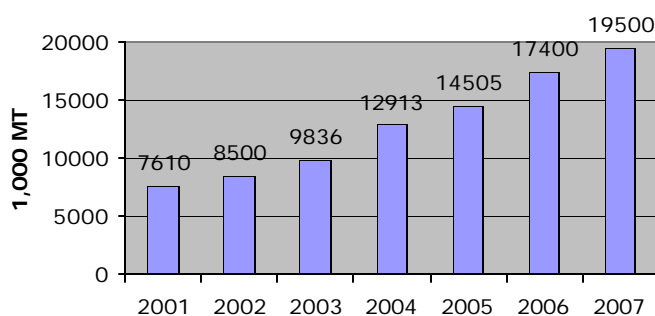
Chart 3: China's Textile & Apparel Monthly Exports from 2004-2007  
(million US dollars)



Sales of textiles and apparel are increasingly driven by domestic consumption resulting from increased disposal income and population growth. According to China's National Statistics Bureau (NSB), the per capita expenditure on textile and apparel by urban residents is 5.6 times that of rural people. Thus, urbanization in China has a clear impact on the textile industry. Nevertheless, as rural incomes also rise, better clothing is high on the list of new purchases for China's 700 million rural residents.

High growth in yarn production is expected to continue in MY07/08 because of the strong demand in the textile industry. Total yarn production is forecast at 19.5 MMT, up 12 percent from the 17.4 MMT in 2006. The 17.4 MMT yarn production for 2006 is up 20 percent from the 14.5 MMT for 2005. The yarn production for the first three months of 2007 is estimated at 4.2 MMT, up 22 percent over the same period of 2006.

Chart 4: Chinese Yarn Production 2004-2007



Note: 2007 data forecast by Post

Converting yarn production into cotton use remains challenging. The mills constantly change cotton's share in yarn production according to market demands. For example, a one-percentage change of cotton's share will change cotton consumption by about two hundred thousand of metric tons. As for the net waste (trash not suitable for spinning), some mills told Post this ranges from 3 to 5 percent, instead of the usual 6 percent used by many industry sources.

Cotton is likely to lose share slightly in yarn production because of reduced crude oil prices. According to industry sources, the current price for man-made fiber is 3,000 Yuan/MT lower



than cotton. Historically, the cotton price is approximately 20 percent higher than the price of polyester fibers. Industry experts expect that the share of man-made fiber in yarn production will increase slightly in 2007.

## Trade

MY07/08 imports are forecast to surge to 5 MMT (up 50 percent) in response to solid demand and the slow import pace in Q4 2006 and Q1 2007. A resumption of large-scale imports is likely in the final few months of MY06/07 and will continue into MY07/08. Flat import levels following the fall 2006 Chinese harvest of the bumper crop lasted for a surprisingly long time and led to a downward revision of MY06/07 imports from the initial forecast of 4.1 MMT to 3.35 MMT. Fundamentally, continued double-digit cotton consumption growth in China is outstripping China's productive capacity and leading to higher market share for imported cotton.

Import origin for MY05/06 is more diversified as compared with MY04/05, with eleven countries exceeding 100,000 MT. The significant change is that India's market share surged to 12 percent from three percent in MY04/05, with net imports of 520,000 MT. The United States continued to be the largest supplier (47 percent), followed by India (12 percent) and Uzbekistan (10 percent). Although the net imports from the United States for MY05/06 increased by 1,286,000 MT over MY04/05, its market share dropped to 47 percent from 50 percent.

Since 2004, the increased consignment trade has alleviated the impact of a declining stocks-to-use ratio. To cater to the "hand to mouth" purchasing pattern adopted by many medium and small-scale mills, many international merchants began to ship cotton to China's bonded warehouses. Interviewed mills showed great interest in buying cotton from the bonded warehouses due to its short delivery time, flexibility and convenient quality verification. Industry sources estimate stocks in bonded warehouses exceed 400,000 MT.

The CCA Cotton Trade Rules (applied to cotton imports only) were published in April 2006 to replace "China Textile Trade Rules". According to CCA, the new rules, based on the 1989 revised version of "China Textile Trade Rules", were finalized through more than one-year of consultations and negotiations with U.S. and other industry leaders. The new rules highlight contract and quality fulfillment and liability. A series of training programs will be held to educate the Chinese industry leaders about the new rules. A "black-list" system is to be established to encourage self-regulation and strengthen the principle of contract sanctity.

## Stocks

Stocks remain very difficult to estimate. China still has not established an official cotton market information system and is unlikely to do so in the foreseeable future. Post believes there have been no reliable stocks data since the liberalization of cotton marketing in 1999. This lack of good data is particularly true for recent years, when the whole cotton industry expanded rapidly. The numerous players and diversified ownership in the industry chain, including gins, merchants and mills, make collecting reliable production statistics extremely difficult.

In review of the relevant statistics, NSB data estimated total yarn production for MY05/06 at about 16 MMT, while the man-made-fiber available for spinning in the same period was about six MMT. This implies that cotton consumption for MY05/06 is approximately 10 MMT. As such, MY05/06 ending stocks dropped to about 1.3 MMT, equivalent to slightly more than one month of supply. In analyzing the yarn production from August 2006 to March 2007 and 2006 production and imports in the same period, a similar situation is expected to repeat in



MY06/07. The unstated conclusion is that some statically “unaccounted for cotton” is used by the industry to meet the supply/consumption gap. It remains difficult, to establish where the problem originates. Many Chinese industry insiders have the same dilemma in analyzing the supply/demand situation in MY06/07 and beyond.

Experts believe that NSB yarn production statistics and man made fiber availability are relatively reliable as compared with cotton production, while import and export statistics are very reliable. Although it remains challenging to convert the yarn production into cotton use, the total man-made-fiber availability for spinning in the same period does help deduce the necessary cotton use.

Combining these assumptions with actual imports and cotton price trends, Post believes that unaccounted stocks and/or underestimated production are the most likely reasons for the current dilemma. As such, Post added a residual cotton volume in MY05/06 and the following two years to balance the current PSD table. (See Loss row in PSD Table 1 or 2 and the Note below). Final resolution of this issue rests on better and more complete reporting of stocks and production information by the Government of China and Chinese industry.

The “consignment trade” remains strong and provides about 400,000 MT of cotton from various origins stored in China’s bonded warehouses. While this cotton is physically in China and it is generally thought of as local stocks, it has not crossed China’s customs border and is technically not imported until it goes through customs and is delivered to Chinese mills.

**Note:** Post’s current supply and demand estimates for China include a negative residual in the “loss” column for MY2005/06 through forecast MY2007/08. This residual signals the likelihood that stocks in China are larger than the level indicated by estimates of supply less demand due to an unexplained discrepancy in the underlying data. This is formally defined as cotton lost or destroyed in the marketing channel that reflects the difference between implicit stocks based on supply less total use and indicated ending stocks. USDA’s balance sheets for the United States, Australia, and Brazil have similar residuals in some years.

The government of China does not provide an official cotton balance sheet. Post estimates China’s supply and demand using China government statistics, industry data, and Post intelligence. The loss revisions were based on evidence of prior crop surpluses from sales of the government reserve, possible underreporting of production, and other relevant information from Chinese sources.

Notwithstanding these revisions, there appears to be a persistent error in the supply-demand balance sheet which tends to understate ending stocks. China’s stocks have tightened substantially in recent years as surpluses were sold and the government stopped carrying large reserves. Nevertheless, it is unlikely that total stocks in China – including stocks at mills and stocks in the “pipeline” (held by suppliers, at ports, in transit, etc.) has fallen below two months’ domestic mill use.

This report uses the USDA Interagency Cotton Estimates Committee policy regarding the use of a residual in the balance sheet rather than derive a stocks estimate deemed to be too low. As it is unlikely that the data inconsistency is a one-year phenomenon, the residuals will be used as needed as Post and USDA continue to investigate both data sources and methods to improve the estimation of the China cotton balance sheet.

## Policy

### Seed Subsidy

In 2007, the GOC began to subsidize cotton production through a multi-year “seed subsidy” program. In March 2007, MOA appropriated a total of 500 million Yuan (US\$ 64 million) to cotton seed producers/traders. Based on industry sources, the subsidy will cover more than 2.2 MHa, equivalent to about 40 percent of the forecast planted area in MY07/08 (see table below). The subsidy is allocated to large seed producers/traders for selected “high quality varieties” through open bidding. The rate is 15 Yuan/Mu or approximately US\$29/Ha. As of this writing, it appears the funds have been distributed smoothly.

China's Cotton Seed Subsidy Plan in 2007

	Sub-total (1000 Mu)	Province	Subsidized area (1000 Mu)	Coverage %	Value (RMB million)
Xinjiang	10600	Non-PCC	6300	63	94.5
		PCC	4300	63	64.5
Yellow River Region	16030	Shandong	6300	50	94.5
		Henan	5930	50	89
		Hebei	3800	45	57
Yangtze River Region	6700	Hubei	2000	35	30
		Anhui	2000	35	30
		Jiangsu	1900	35	28.5
		Hunan	800	35	12
Total	33330				500

Source: cncotton.com

Initiated by MOA and supported by China Textile Industry Association (CTIA), the seed subsidy policy is aimed at stabilizing planted area. It is also expected that cotton quality will be more uniform because the selected “high quality varieties” (seeds eligible to be subsidized) are likely to increase in area coverage. Given the increasing cotton supply gap and the importance placed on maintaining a stable planting area, this policy is likely to remain in place for the foreseeable future.

### Classification Reform

China's cotton classification reform continued in MY06/07 and is expected to deepen in MY07/08. According to NDRC, as of January 2007, 570 gins have completed equipment renovation with total baling capacity of 2.8 MMT. Out of the 570 plants, 404 gins conducted processing and classification based on the new classification system in 2006. The newly installed 149 HVI instruments in 75 laboratories are capable of classifying 2.2 MMT. In 2006, total processed cotton based on the new classification system was 754,000 MT, accounting for 11 percent of the MY06/07 crop. A series of measures were taken and will continue in MY06/07 to push the reform forward. The GOC will provide concession loans for equipment renovation to the entities engaged in the reform, large bale cotton (based on the new system) continues to be privileged in obtaining rail cars, and the state purchasing of cotton for reserve continues to favor large baled cotton. Multiple industry reports say the additional TRQ in calendar year 2007 will be combined with purchasing of large bale cotton. However, the reform faces challenges. Numerous small-scale mills still prefer small bales because it is convenient to transport in small quantities and they do not have money to invest in new equipment. It appears that the large and small bales will coexist in the near term before the reform of the whole production chain ends.

The National Standard for Upland Cotton is expected to enter into force in MY07/08, though its impact on trade seems insignificant. On March 9, 2007, China notified the WTO on "National Standard for Upland Cotton" (G/TBT/N/CHN/249). The standard sets quality requirements, classification criteria, testing methods, inspection rules, certificates, packaging and symbols, and the requirements for transportation and storage of upland cotton. The initially proposed two sensitive indicators, namely "naps and short fiber content," are not included in the final proposed standard. However, it warrants in-depth technical analysis by the U.S. industry and making necessary comments during the comment period.

#### Tariff Rate Quota

The Tariff Rate Quota (TRQ) regime will remain in place for the foreseeable future as the GOC argues that the TRQ regime is necessary to regulate the market and protect the interests of both farmers and the domestic textile industry. China's current willingness to expand the TRQ beyond its WTO commitments should continue into the near future because the textile industry needs the cotton. As usual, China distributed 894,000 MT of cotton TRQ for 2007 (subject to one percent import duty) at the end of 2006. According to industry sources, an additional 1.5 MMT of cotton TRQ (additional TRQ) was distributed to mills in mid-April 2007 without any official publication. The total additional TRQ for 2007 is likely to exceed the 2.1 MMT issued in 2006. Distribution and allocation of the TRQ remains non-transparent.

The distribution of additional TRQ volumes is used as a means to promote domestic cotton marketing. Though the GOC denies the linkage, multiple industry sources indicate that a total of 700,000 MT of additional TRQ were distributed in combination with purchasing of an equivalent amount of Xinjiang cotton. The "combination" policy reportedly expedited the marketing of Xinjiang's 2005 crop. Recent industry speculation reported that the additional TRQ for 2007 might be distributed to mills that buy the large baled cotton.

The GOC adjusted the tariff rate applied to the cotton imports under the additional TRQ in 2007. Ministry of Finance (MOFIN) announced that, effective on January 1, 2007, the Variable Tariff Rates for cotton imports under additional TRQ are adjusted to 6-40 percent, as compared to the former 5-40 percent. Many industry sources believe that the adjusted tariff rates and the implementation formula are more reasonable in terms of levying duties on various cotton grades.

#### State Reserves

The state purchasing of cotton for reserve continued in MY06/07. In December 2006, the GOC announced state purchasing of 300,000 MT of Xinjiang cotton for reserve. As of mid-January 2007, China State Cotton Reserve Corp purchased a total 300,800 MT through open bidding at prices ranging from 12,520 to 12,700 Yuan/MT. State purchasing supported the domestic cotton price and facilitated marketing of Xinjiang cotton. It also enhanced the ongoing classification reform through paying a premium for the large bale cotton. State cotton reserves remain a secret and are likely still considerable.

#### Targeted Loans

The Agriculture Development Bank of China (ADBC) continued to provide targeted loans with favorable terms for purchasing cotton in 2006. ADBC earmarked a record US\$5.65 billion for this program, up 10 percent over the year before. The increased loans result from the low default rate for the previous years' loans and the large crop in MY06/07. ADBC will continue its financial assistance for domestic cotton marketing in MY07/08.

## Export Rebate

The tax rebate for textile and apparel exports is likely to be reduced further in 2007. In mid-April 2007, an NDRC report on the 2007 textile and apparel export situation hinted that a reduced tax rebate would further ease trade tensions with other trade partners and the growing trade surplus. Industry speculation suggests that the tax rebate cut is likely to take effect in late April. The new rebate rates for textile, apparel and other man-made fiber textile products are likely to fall to 9, 9 and 5 percent from the current 11, 13 and 9 percent, respectively. Industry sources estimate that the tax rebate cut is likely to reduce cotton use growth.

## Marketing

The marketing of domestic cotton in MY06/07 improved over the previous year. Instead of focusing on regulating purchases of seed cotton, the GOC raised the market access threshold for enterprises entering cotton processing. On October 2006, NDRC and other related ministries issued Decree No 49 on "Administrative Measures for Accreditation of Eligibility of Cotton Processing and Marketing". The Decree is aimed at enhancing the management of the industry and checking its excessive expansion. It requested all cotton processing entities to meet certain requirements and be awarded with "Cotton Processing License". In addition to enforcement of this decree and the classification reform, it is also expected to accelerate the consolidation of the industry. Based on NDRC's plan on cotton processing, the number of gins is expected to decline to 2,400 by the end of 2009 from the current estimated 12,000. According to CCA, the marketing of domestic 2007 crop went on smoothly. As of the end of March 2007, 95 percent of the 2006 domestic crop was marketed.

Transporting cotton out of Xinjiang accelerated in MY06/07 and this trend is likely to maintain in MY07/08. According to the Xinjiang Development and Reform Commission, as of the end of February 2007, total purchased cotton in Xinjiang reached 2.16 MMT, up 21 percent over the same time in the previous year. A total 1.6 MMT had been shipped out, up 48 percent as compared with the same time in 2006. The rapid shipment is an achievement of combined efforts of the central and local governments. News reported that the local railway station did not take the "Spring Vacation" in February and shipped 320,000 MT out of Xinjiang. In April 2007, China's railway authority started "the sixth railway speed increase program" nationwide. According to media report, the program will lead to passenger and cargo transport capacity growth of 18 and 12 percent, respectively, as compared with the current level. It is hard to predict whether this program will improve the shipment of cotton out of Xinjiang significantly in MY07/08.

Since January 1, 2005, marketing of cotton within China was opened up to international traders and investors. This is based on China's WTO commitments, which specified that foreign traders can import and market cotton directly in China, and can be involved in the marketing of domestic cotton. According to industry sources, the GOC already approved some international traders to engage in domestic cotton trade. The traders, however, take a very cautious approach to entering domestic cotton marketing because of the complexity of the market. As of this writing, there has been little reporting on the market engagement of international traders in marketing of domestic cotton.

U.S. cotton exporters interested in exporting cotton to China and want marketing advice and assistance may contact USDA/FAS's Agricultural Trade Offices (ATO) in Beijing, Shanghai, and Guangzhou. They can be contacted via email at [ATOShanghai@usda.gov](mailto:ATOShanghai@usda.gov), [ATOBeijing@usda.gov](mailto:ATOBeijing@usda.gov), and [ATOGuangzhou@usda.gov](mailto:ATOGuangzhou@usda.gov) respectively. Cotton Council International (CCI) is also actively involved in promoting U.S. cotton in CHINA and throughout Asia. CCI serves China from its office in Hong Kong. They can be reached via

email at [cci-hongkong@cotton.org](mailto:cci-hongkong@cotton.org). Both CCI and the ATO's organize events designed to bring U.S. cotton exporters together with Chinese buyers.

## Tables

### Production, Supply and Demand (PSD)

Table 1. PSD in Bales

PSD Table									
Country	China, Peoples Republic of								
Commodity	Cotton	(1000 HECTARES) 1000 480 lb. Bales (PERCENT)(KG/HA)							
	2005 Revised			2006 Estimate			2007 Forecast		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		08/2005	08/2005		08/2006	08/2006		08/2007	08/2007
Area Planted	0	5060	0	0	5364	0	0	0	5500
Area Harvested	5060	5060	5060	5350	5364	5400	0	0	5500
Beginning Stocks	13063	5795	5795	15661	6920	8073	13486	6676	8010
Production	26200	26180	26200	30900	27787	31000	0	0	29850
Imports	19284	18372	19284	13500	18831	15380	0	0	22970
MY Imports from U.S.	0	0	0	0	0	0	0	0	0
<b>Total Supply</b>	58547	50347	51279	60061	53538	54453	13486	6676	60830
Exports	36	23	36	75	14	46	0	0	23
Use	45000	43403	45000	50000	46848	50500	0	0	56500
Loss	-2150	0	-1830	-3500	0	-4103	0	0	-3820
Total Dom. Cons.	42850	43403	43170	46500	46848	46397	0	0	52680
Ending Stocks	15661	6920	8073	13486	6676	8010	0	0	8127
<b>Total Distribution</b>	58547	50346	51279	60061	53538	54453	0	0	60830
Stock to Use %	34.774402	15.935154	17.925659	26.931602	14.246084	15.846951	0	0	14.378217
Yield	1127	1126	1127	1258	1128	1250	0	0	1182

Table 2. PSD in Metric Tons

PSD Table									
Country	China, People's Republic of								
Commodity	Cotton	(1000 HECTARES) 1000 MT (PERCENT)(KG/HA)							
	2005 Revised			2006 Estimate			2007 Forecast		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		08/2005	08/2005		08/2006	08/2006		08/2007	08/2007
Area Planted	0	5060	0	0	5364	0	0	0	5500
Area Harvested	5060	5060	5060	5350	5364	5400	0	0	5500
Beginning Stocks	2844	1262	1262	3410	1507	1758	2936	1454	1744
Production	5704	5700	5704	6728	6050	6730	0	0	6500
Imports	4199	4000	4199	2939	4100	3350	0	0	5000
MY Imports from U.S.	0	0	0	0	0	0	0	0	0
<b>Total Supply</b>	12747	10962	11165	13077	11656	11856	2936	1454	13244
Exports	8	5	8	16	3	10	0	0	5
Use	9798	9450	9798	10886	10200	11000	0	0	12300
Loss	-468	0	-398	-762	0	-893	0	0	-832
Total Dom. Cons.	9329	9450	9399	10124	10200	10102	0	0	11470
Ending Stocks	3410	1507	1758	2936	1454	1744	0	0	1769
<b>Total Distribution</b>	12747	10961	11165	13077	11656	11856	0	0	13244
Stock to Use %	34.774	15.9351	17.92	26.93	14.246	15.8469	0	0	14.3782
Yield	1127	1126	1127	1258	1128	1250	0	0	1182

## Trade Tables

Table 3. China's Monthly Cotton Imports

Unit: Metric Tons					
Month	2003	2004	2005	2006	2007
January	81,308	177,400	113,076	301,372	123,092
February	35,793	291,481	70,599	321,280	125,235
March	35,323	269,209	101,487	495,049	259,670
April	101,866	290,953	169,815	490,704	
May	121,475	227,075	160,891	463,809	
June	113,453	201,312	206,024	380,674	
July	83,161	170,478	294,416	290,358	
August	51,059	107,566	373,295	285,958	
September	20,867	58,710	313,304	134,364	
October	13,059	29,148	198,167	84,985	
November	52,906	22,844	224,991	154,592	
December	163,330	59,975	347,517	240,338	
<b>TOTAL</b>	875,603	1,906,153	2,573,582	3,643,482	507,997
Marketing Year	Aug/03 - Jul/04	Aug/04- Jul/05	Aug/05- Jul/06	Aug/06- Jul/07	Aug/07- Jul/08
<b>TOTAL</b>	1,929,125	1,393,551	4,200,521	1,408,233	

Unit: 480-lb Bales					
Month	2003	2004	2005	2006	2007
January	373,448	814,800	519,358	1,384,200	565,359
February	164,397	1,338,773	324,263	1,475,641	575,205
March	162,239	1,236,479	466,128	2,273,762	1,192,664
April	467,871	1,336,348	779,959	2,253,801	
May	557,934	1,042,954	738,972	2,130,276	
June	521,089	924,626	946,269	1,748,434	
July	381,958	783,005	1,352,252	1,333,612	
August	234,513	494,052	1,714,546	1,313,403	
September	95,842	269,655	1,439,007	617,133	
October	59,980	133,878	910,179	390,338	
November	242,997	104,925	1,033,385	710,040	
December	750,175	275,465	1,596,146	1,103,872	
<b>TOTAL</b>	4,012,443	8,754,960	11,820,464	16,734,513	2,333,228
Marketing Year	Aug/03- Jul/04	Aug/04- Jul/05	Aug/05- Jul/06	Aug/06- Jul/07	Aug/07- Jul/08
<b>TOTAL</b>	8,860,474	6,400,580	19,292,992	6,468,013	

Source: World Trade Atlas



Table 4. China's Quarterly Cotton Imports by Country of Origin

Unit: Metric Tons

Marketing Year: 2004/2005					
Country	Jul-Sep /04	Oct-Dec /04	Jan-Mar/05	Apr-Jun/05	TOTAL
United States	131,556	50,361	150,658	285,650	618,225
Uzbekistan	49,499	4,763	62,296	102,700	219,258
Australia	45,340	9,550	1,948	7,909	64,747
Burkina Faso	16,827	4,547	3,971	21,488	46,833
India	3,443	400	3,374	27,882	35,099
Mali	17,102	5,330	1,674	5,170	29,276
Paraguay	15,342	6,674	399	6,848	29,263
Benin	11,984	1,332	2,600	9,794	25,710
Cote d'Ivoire	7,714	132	700	12,557	21,103
Mexico	774	3,186	6,775	8,647	19,382
Others	37,171	25,694	50,768	48,085	161,717
<b>TOTAL</b>	<b>336,754</b>	<b>111,968</b>	<b>285,162</b>	<b>536,730</b>	<b>1,270,613</b>
Marketing Year: 2005/2006					
Country	Jul-Sep /05	Oct-Dec /05	Jan-Mar/06	Apr-Jun/06	TOTAL
United States	496,237	272,891	455,574	734,824	1,959,525
India	39,120	54,221	178,765	231,596	503,702
Uzbekistan	87,251	50,961	161,595	104,914	404,720
Australia	100,184	91,690	39,597	51,665	283,136
Burkina Faso	57,483	49,077	25,025	39,956	171,541
Benin	52,113	36,636	32,262	21,870	142,881
Mali	32,633	24,341	22,209	28,386	107,570
Brazil	4,507	43,742	38,781	3,969	90,999
Cameroon	7,898	18,673	19,549	10,654	56,775
Mexico	4,094	13,608	19,162	4,632	41,496
Other	99,495	114,834	125,182	102,722	442,234
<b>TOTAL</b>	<b>981,016</b>	<b>770,675</b>	<b>1,117,702</b>	<b>1,335,187</b>	<b>4,204,579</b>
Marketing Year: 2006/2007					
Country	Jul-Sep/06	Oct-Dec /06	Jan-Mar/07	Apr-Jun/07	TOTAL
United States	420,152	97,556			517,709
India	60,220	123,049			183,269
Australia	61,353	72,146			133,499
Burkina Faso	23,059	57,417			80,477
Uzbekistan	52,206	45,107			97,313
Cameroon	13,996	23,468			37,464
Zambia	6,113	10,280			16,393
Mali	21,862	9,356			31,218
Other	51,717	41,536			93,253
<b>TOTAL</b>	<b>710,679</b>	<b>479,915</b>			<b>1,190,594</b>

Source: World Trade Atlas

Table 5. China's Monthly Cotton Exports

Unit: Metric Tons				
Month	2004	2005	2006	2007
January	1,150	204	1,450	2,404
February	1,323	59	581	362
March	1,151	359	0	
April	399	711	488	
May	205	509	944	
June	77	861	2,198	
July	1,806	810	665	
August	1,023	250	1,179	
September	1,044	52	1,229	
October	790	208	1,589	
November	172	382	1,142	
December	143	719	1,572	
<b>TOTAL</b>	9,283	5,124	13,039	2,767
<b>Marketing Year</b>	<b>Aug/04-Jul/05</b>	<b>Aug/05-Jul/06</b>	<b>Aug/06-Jul/07</b>	<b>Aug/07-Jul/08</b>
<b>TOTAL</b>	6,685	7,938		
Unit: 480-lb Bales				
Month	2004	2005	2006	2007
January	5,281	939	6,662	11,044
February	6,075	269	2,668	1,663
March	5,285	1,650	0	
April	1,834	3,266	2,241	
May	940	2,337	4,337	
June	355	3,955	10,097	
July	8,295	3,722	3,056	
August	4,700	1,148	5,417	
September	4,796	241	5,647	
October	3,627	954	7,300	
November	790	1,753	5,245	
December	656	3,302	7,220	
<b>TOTAL</b>	42,636	23,535	59,890	12,707
<b>Marketing Year</b>	<b>Aug/04-Jul/05</b>	<b>Aug/05-Jul/06</b>	<b>Aug/06-Jul/07</b>	<b>Aug/07-Jul/08</b>
<b>TOTAL</b>	30,704	36,459		

Source: World Trade Atlas

Table 6. China's Quarterly Cotton Exports by Destination

Unit: Metric Tons

Marketing Year: 2004/2005					
Country	Jul-Sep /04	Oct-Dec /04	Jan-Mar /05	Apr-Jun /05	TOTAL
Japan	1,674	284	111	705	2,775
Indonesia	636	102	236	220	1,194
Thailand	159	100	0	681	940
Korea, South	709	12	42	71	833
Taiwan	461	114	0	176	750
Korea, North	6	32	217	229	485
India	0	258	0	0	258
Italy	228	0	0	0	228
Other	0	203	16	0	219
<b>TOTAL</b>	<b>3,874</b>	<b>1,105</b>	<b>622</b>	<b>2,081</b>	<b>7,681</b>
Marketing Year: 2005/2006					
Country	Jul-Sep /05	Oct-Dec /05	Jan-Mar /06	Apr-Jun /06	TOTAL
Taiwan	0	360	0	490	849
Indonesia	296	314	55	840	1,505
Korea, South	27	181	87	261	557
Japan	504	31	430	951	1,915
Thailand	286	0	0	137	424
Hong Kong	0	416	1,280	492	2,188
Other	0	7	179	459	644
<b>TOTAL</b>	<b>1,113</b>	<b>1,308</b>	<b>2,031</b>	<b>3,630</b>	<b>8,083</b>
Marketing Year: 2006/2007					
Country	Jul-Sep /06	Oct-Dec /06	Jan-Mar /07	Apr-Jun /07	TOTAL
Taiwan	198	2,022			2,220
Indonesia	82	898			980
Korea, South	157	337			494
Japan	741	292			1,033
Hong Kong	756	65			821
Other	1,141	689			1,830
<b>TOTAL</b>	<b>3,074</b>	<b>4,303</b>			<b>7,378</b>

Source: World Trade Atlas

Table 7. China's Monthly Cotton Yarn and Thread Imports

Unit: Metric Tons					
Month	2003	2004	2005	2006	2007
January	49,962	57,570	51,642	62,896	75,289
February	37,295	62,846	33,919	61,535	46,631
March	60,884	65,562	68,635	88,313	
April	64,663	61,596	73,086	81,974	
May	63,609	54,009	67,277	75,690	
June	49,654	54,389	64,463	72,098	
July	46,655	53,176	62,159	69,185	
August	49,351	50,786	66,628	83,238	
September	58,487	58,653	65,194	75,944	
October	64,332	54,461	62,357	67,583	
November	64,071	57,615	64,206	68,989	
December	78,893	56,285	70,759	75,147	
<b>TOTAL</b>	687,857	686,948	750,327	882,592	121,920
<b>Marketing Year</b>	<b>Aug/03- Jul/04</b>	<b>Aug/04- Jul/05</b>	<b>Aug/05- Jul/06</b>	<b>Aug/06- Jul/07</b>	<b>Aug/07- Jul/08</b>
<b>TOTAL</b>	724,282	686,948	840,837		

Source: World Trade Atlas

Table 8. China's Quarterly Cotton Yarn and Thread Imports by Country of Origin

Unit: Metric Tons

Calendar Year: 2005					
Country	Jan - Mar	Apr - Jun	Jul - Sep	Oct - Dec	TOTAL
China	58,120	93,967	77,611	68,794	298,493
Pakistan	51,499	62,147	63,735	68,125	245,506
Taiwan	8,773	11,439	13,167	20,059	53,438
India	11,703	11,453	12,850	16,053	52,059
Indonesia	6,859	8,395	8,943	6,769	30,966
Hong Kong	6,725	7,191	7,090	6,106	27,111
Thailand	2,936	3,167	3,600	4,318	14,022
Korea, South	3,549	3,333	2,856	1,965	11,703
Other	4,033	3,733	4,129	5,133	17,028
<b>TOTAL</b>	154,196	204,826	193,982	197,323	750,327
Calendar Year: 2006					
Country	Jan - Mar	Apr - Jun	Jul - Sep	Oct - Dec	TOTAL
China	75,267	95,017	89,374	81,781	341,440
Pakistan	78,853	82,297	82,780	73,122	317,052
Taiwan	15,405	12,545	15,616	19,265	62,830
India	16,201	14,265	14,891	13,886	59,243
Hong Kong	8,433	8,348	8,195	7,022	31,999
Indonesia	7,339	6,176	6,596	6,092	26,202
Thailand	4,440	4,178	3,555	3,838	16,010
Korea, South	1,664	2,188	1,729	1,532	7,112
Vietnam	1,017	817	1,172	1,282	4,288
Japan	1,153	1,184	1,023	1,174	4,535
Turkey	712	786	282	278	2,059
Other	2,260	1,961	3,154	2,446	9,821
<b>TOTAL</b>	212,744	229,763	228,367	211,718	882,592
Calendar Year: 2007					
Country	Jan - Mar	Apr - Jun	Jul - Sep	Oct - Dec	TOTAL
<b>TOTAL</b>	NA*				

Source: World Trade Atlas

**Table 9. China's Monthly Cotton Yarn & Thread Exports****Unit: Metric Tons**

<b>Month</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
January	22,778	24,906	23,490	26,322	39,434
February	22,279	32,647	19,406	33,121	27,261
March	38,966	40,241	44,378	53,124	
April	43,278	34,155	45,339	48,898	
May	40,906	33,594	43,642	46,251	
June	32,011	34,402	38,775	44,601	
July	33,424	31,143	34,481	44,321	
August	34,522	30,152	36,940	50,092	
September	41,239	34,799	37,634	45,748	
October	41,267	31,469	32,429	43,383	
November	43,512	33,372	34,724	42,682	
December	56,561	30,811	32,096	41,114	
<b>TOTAL</b>	452,747	391,691	423,334	519,657	66,695
<b>Marketing Year</b>	<b>Aug/03- Jul/04</b>	<b>Aug/04- Jul/05</b>	<b>Aug/05- Jul/06</b>	<b>Aug/06- Jul/07</b>	<b>Aug/07- Jul/08</b>
<b>TOTAL</b>	448,162	391,691	470,461		

Source: World Trade Atlas

Table 10. China's Quarterly Cotton Yarn and Threads Exports by Destination

Unit: Metric Tons

Calendar Year: 2005					
Country	Jan-Mar	Apr- Jun	Jul-Sep	Oct-Dec	TOTAL
Hong Kong	70,537	107,945	89,351	75,033	342,865
Korea, South	4,414	5,215	5,369	5,702	20,700
Japan	3,465	3,387	2,443	2,916	12,211
Bangladesh	795	1,148	1,436	1,953	5,332
Myanmar	2,028	2,087	2,028	1,666	7,809
Italy	462	619	947	1,429	3,457
United States	741	1,096	399	1,137	3,373
Indonesia	426	1,320	995	772	3,513
Other	4,406	4,939	6,087	8,642	24,073
<b>TOTAL</b>	<b>87,274</b>	<b>127,756</b>	<b>109,055</b>	<b>99,249</b>	<b>423,334</b>
Calendar Year: 2006					
Country	Jan-Mar	Apr- Jun	Jul-Sep	Oct-Dec	TOTAL
Hong Kong	87,754	105,557	104,724	93,342	391,377
Korea, South	8,343	8,871	8,860	8,196	34,270
Bangladesh	2,601	2,534	4,410	2,636	12,181
Japan	2,573	4,236	3,740	4,042	14,591
Russia	280	903	3,200	3,041	7,424
Italy	1,710	2,822	2,315	3,466	10,313
Myanmar	1,506	1,437	2,126	2,296	7,365
Indonesia	322	1,374	1,255	868	3,819
Singapore	357	1,587	701	1,328	3,973
Other	7,122	10,430	8,830	7,964	34,345
<b>TOTAL</b>	<b>112,567</b>	<b>139,750</b>	<b>140,161</b>	<b>127,179</b>	<b>519,657</b>
Calendar Year: 2007					
Country	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	TOTAL
<b>TOTAL</b>	NA*				

Source: World Trade Atlas



Table 11. China's Monthly Cotton Fabric Imports

Unit: 1,000 Square Meters

Month	2003	2004	2005	2006	2007
January	112,343	73,589	90,434	78,984	101,379
February	79,579	88,617	69,559	76,877	67,268
March	112,626	110,499	116,262	111,700	
April	116,254	120,592	130,929	119,070	
May	114,310	112,212	110,630	104,379	
June	102,886	114,908	110,427	110,729	
July	103,818	111,746	105,540	107,165	
August	92,108	105,428	105,485	102,195	
September	110,663	110,110	108,576	117,464	
October	115,600	120,197	119,587	114,202	
November	120,834	143,780	130,908	127,051	
December	141,968	158,767	142,123	128,070	
<b>TOTAL</b>	1,322,989	1,370,445	1,340,459	1,297,886	168,647
<b>Marketing Year</b>	<b>Aug/03- Jul/04</b>	<b>Aug/04- Jul/05</b>	<b>Aug/05- Jul/06</b>	<b>Aug/06- Jul/07</b>	<b>Aug/07- Jul/08</b>
<b>TOTAL</b>	1,313,337	1,370,445	1,315,583		

Source: World Trade Atlas

Table 12. China's Quarterly Cotton Fabric Imports by Country of Origin

Unit: 1,000 Square Meters

Calendar Year: 2005					
Country	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	TOTAL
China	98,378	136,876	128,064	167,823	531,141
Hong Kong	73,437	103,383	92,251	108,525	377,596
Pakistan	26,954	24,150	32,734	34,210	118,048
Japan	34,725	32,645	26,536	34,022	127,928
Taiwan	18,330	25,667	17,209	20,577	81,784
Korea, South	10,022	13,010	11,422	11,374	45,828
Indonesia	2,504	3,190	2,787	3,932	12,413
Thailand	3,048	2,660	1,329	2,158	9,195
Other	8,856	10,404	7,269	9,997	36,526
<b>TOTAL</b>	276,255	351,986	319,601	392,618	1,340,459
Calendar Year: 2006					
Country	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	TOTAL
China	102,895	139,621	143,097	167,846	553,459
Hong Kong	70,072	96,808	81,841	95,070	343,790
Pakistan	26,773	25,293	35,167	31,939	119,172
Japan	34,244	31,812	25,128	31,856	123,040
Taiwan	11,709	17,064	16,223	18,818	63,813
Korea, South	10,144	10,822	12,868	10,685	44,519
Indonesia	3,219	2,933	3,123	3,261	12,536
Other	8,507	9,824	9,377	9,849	37,557
<b>TOTAL</b>	267,561	334,178	326,824	369,323	1,297,886
Calendar Year: 2007					
Country	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	TOTAL
<b>TOTAL</b>	NA				

Source: World Trade Atlas

**Table 13. China's Monthly Cotton Fabric Exports****Unit: 1,000 Square Meters**

<b>Month</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
January	340,945	266,477	367,102	436,041	425,476
February	255,225	215,131	284,965	273,382	411,280
March	361,889	357,430	437,819	468,117	
April	405,110	362,893	417,040	448,958	
May	367,592	335,913	385,868	434,668	
June	339,135	351,726	414,540	444,517	
July	329,240	332,007	398,196	428,935	
August	322,999	347,696	419,847	485,664	
September	390,739	399,186	437,275	485,395	
October	378,620	396,667	424,741	471,032	
November	369,244	443,212	441,006	513,640	
December	480,706	465,363	447,263	522,728	
<b>TOTAL</b>	4,341,446	4,273,700	4,875,663	5,413,079	836,756
<b>Marketing Year</b>	<b>Aug/03- Jul/04</b>	<b>Aug/04- Jul/05</b>	<b>Aug/05- Jul/06</b>	<b>Aug/06- Jul/07</b>	<b>Aug/07- Jul/08</b>
<b>TOTAL</b>	4,163,885	4,273,700	5,104,752		

Source: World Trade Atlas

Table 14. China's Quarterly Cotton Fabric Exports by Destination

Unit: 1,000 Square Meters

Calendar Year: 2005					
Country	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	TOTAL
Hong Kong	235,640	264,690	273,197	340,674	1,114,201
Benin	68,627	88,783	92,610	108,611	358,632
Bangladesh	55,894	78,990	84,226	105,442	324,552
Korea, South	84,171	88,569	83,752	77,478	333,970
Japan	70,321	60,173	71,464	72,056	274,014
United States	58,136	56,875	57,255	48,157	220,424
Togo	27,705	26,372	35,687	41,380	131,143
Indonesia	23,296	29,797	34,532	33,953	121,579
Other	466,094	523,198	522,596	485,259	1,997,147
<b>TOTAL</b>	<b>1,089,886</b>	<b>1,217,448</b>	<b>1,255,319</b>	<b>1,313,010</b>	<b>4,875,663</b>
Calendar Year: 2006					
Country	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	TOTAL
Hong Kong	249,551	291,932	286,627	349,036	1,177,147
Benin	73,162	112,604	142,182	163,529	491,476
Bangladesh	79,339	97,816	96,453	114,576	388,184
Korea, South	81,261	85,191	75,855	70,242	312,549
Japan	58,598	59,811	66,107	69,609	254,124
United States	44,629	45,851	47,769	53,641	191,890
Vietnam	34,765	30,737	27,672	47,015	140,189
Thailand	30,797	39,852	67,517	46,627	184,793
Indonesia	34,259	39,092	53,282	46,456	173,089
Ghana	28,564	41,376	43,266	41,796	155,001
Togo	39,785	36,309	34,867	38,851	149,812
Sri Lanka	27,318	21,575	27,139	35,467	111,498
Gambia	19,642	29,794	30,782	31,707	111,925
India	14,817	15,458	19,563	27,976	77,814
Turkey	34,794	26,390	12,183	27,221	100,588
Mexico	16,395	16,667	23,816	22,046	78,923
Other	309,867	337,689	344,914	321,607	1,314,077
<b>TOTAL</b>	<b>1,177,541</b>	<b>1,328,143</b>	<b>1,399,994</b>	<b>1,507,401</b>	<b>5,413,079</b>
Calendar Year: 2007					
Country	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	TOTAL
<b>TOTAL</b>	NA*				

Source: World Trade Atlas

Table 15. Cotton Planted Area and Production by Province

Planted Area (1,000 hectares)					
	2003	2004	2005	2006*	2007**
Total	5,110	5,690	5,060	5,400	5,500
Xinjiang	1,055	1,137	1,162	1,272	1,262
Shandong	882	1,059	847	930	931
Henan	927	952	782	801	823
Hebei	581	669	573	623	638
Anhui	390	399	376	375	383
Jiangsu	369	409	368	355	345
Hubei	355	408	390	382	400
Hunan	139	167	133	136	137
Gansu	52	68	64	77	70
Jiangxi	80	62	81	88	88
<p>* Total planted area for 2006 is based on NSB statistics. Planted area for individual provinces is based on reports from various sources. Detailed NSB per province information is available in June or July.</p> <p>**Planted area is Post's forecast.</p>					
Production (1,000 MT)					
	2003	2004	2005	2006	2007**
Total	4,860	6,320	5,700	6,730	6,500
Xinjiang	1,600	1,783	1,957	2,180	2,120
Shandong	877	1098	846	1,023	914
Henan	377	667	677	830	658
Hebei	522	665	577	631	628
Jiangsu	291	503	323	381	354
Anhui	241	412	311	371	301
Hubei	325	395	375	449	407
Hunan	163	203	185	207	180
Gansu	87	110	110	150	120
Jiangxi	76	85	90	119	110
<p>* Total production for 2006 is based on NSB statistics. Production for individual provinces is based on reports from various sources. Detailed NSB per province information is available in June or July.</p> <p>** Post forecast includes above average yield in 2007.</p>					

Source: PRC State Statistical Bureau

Table 16. Cotton Tariffs as of January 1, 2007

Description	HS Code	M.F.N. (%)	CT (%)			Gen (%)	VAT(%)
			CA	CP	CC		
Cotton, not carded or combed	5201-0000	*40				*125	13
Cotton, not carded or combed, including absorbent cotton, in-quota	5201-0000 10	1				125	13
Cotton, not carded or combed, including absorbent cotton, (custom,out-quota,interim)	5201-0000 08	0				0	13
Cotton, not carded or combed, including absorbent cotton, out-quota	5201-0000 90	40				125	13
Cotton, carded or combed	5203-0000	*40				*125	17
Cotton, carded or combed, in-quota	5203-0000 10	1				125	17
Cotton, carded or combed, out-quota	5203-0000 90	40				125	17
Cotton sewing thread, containing 85% or more by weight of cotton	5204-1100	5			0	40	17
Cotton yarn (other than sewing thread), containing 85% or more by weight of cotton, not for retail sale	5205-1100	5	T3	3.5-4.5	0	40	17
Cotton yarn (other than sewing thread), containing 85% or more by weight of cotton,for retail sale	5205-4800						
Woven fabrics of cotton, containing 85% or more by weight of cotton, weighing not more than 200 g/square meter	5207-1000	6	5	5	0	50	17
	5207-9000	6	5		0	50	17
	5208-1100 to 5208-5990*	10	5-T3	0	0	70	17
"	*Except: 5208-2300	12	8	0	0	70	17

Table 16. Cotton Tariffs as of January 1, 2007 (continued)

Description	HS Code	M.F.N.(%)	CT (%)			Gen (%)	VAT
			CA	CP	CC		
Woven fabrics of cotton, containing 85% or more by weight of cotton, weighing more than 200 g/square meter " "	5209-1100	10		0	0	70	17
	5209-1200	10	T3	0	0	70	17
	5209-1900	10	T3	0	0	70	17
	5209-2100	12	T3	0	0	70	17
	5209-2200	12	8	0	0	70	17
	5209-2900	12	T3	0	0	70	17
	5209-3100	10	T3	0	0	70	17
	5209-3200	10	T3	0	0	70	17
	5209-3900	10	T3	0	0	70	17
	5209-4100	10	T3	0	0	70	17
	5209-4200	10	T3	0	0	70	17
	5209-4300	10	5	0	0	70	17
	5209-4900	10	T3	0	0	70	17
	5209-5100	10	8	0	0	70	17
	5209-5200	10	5	0	0	70	17
	5209-5900	10	5	0	0	70	17

Note: CA: China-Association of Southeast Asian Nations; CP: China-Pakistan; CC: China-Chile.

Source: PRC Customs Import & Export Tariff, 2007



**Table 17. Cotton Tariff Rate Quotas**

Description	HS Code	Initial Quota and Tariff Rate	Final Quota and Tariff Rate	Implementation of Final Quota
Cotton		780,750 mt	894,000 mt	2004
	5201 - 0000	1%	1%	
	5203 - 0000	1%	1%	
<p>Other terms and conditions:</p> <p>1) STE share = 33% (See Note)</p> <p>2) Staging of TRQ for cotton:</p> <p>Year TRQ quantity:</p> <p>2002 - 818,500 MT</p> <p>2003 - 856,250 MT</p> <p>2004 - 894,000 MT</p> <p>2005 - 894,000 MT (China added 1.4 MMT TRQ for 2005)</p> <p>2006 - 894,000 MT (China's WTO commitment does NOT mandate a TRQ for CY05 and CY06, but China maintained an identical quantity of TRQ as CY04. In addition to those volumes, China added another 2.7 MMT TRQ in 2006.)</p> <p>2007 - 894,000 MT (China's WTO commitment does NOT mandate a TRQ for CY06 and CY07, but China maintained an identical quantity of TRQ as CY04. China released another 1.5 MMT TRQ in mid-April 2007.)</p>				